

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE MONTANA PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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PUBLIC SERVICE
COMMISSION

IN THE MATTER OF NORTHWESTERN)
ENERGY'S Revised Electric Default)
Supply Tracker Filing for the Period)
July 1, 2004 through June 30, 2005 and for the)
Forecasted Period July 1, 2005, through)
June 30, 2006)

UTILITY DIVISION

DOCKET NO. D2005.5.88

STIPULATION AND AGREEMENT OF NORTHWESTERN ENERGY AND THE MONTANA
CONSUMER COUNSEL

COMES NOW NorthWestern Corporation, d/b/a NorthWestern Energy ("NorthWestern" or "NWE"), Applicant in the above entitled proceedings, and the Montana Consumer Counsel ("MCC"), and propose to the Montana Public Service Commission (PSC or Commission) the following Stipulation and Agreement as their proposed resolution of certain issues within this contested case proceeding. NWE and MCC, collectively referred to as the "Parties", desire to settle certain outstanding issues in this proceeding and to stipulate to the resolution of certain issues.

This Stipulation and Agreement presents the Parties' agreements regarding: (1) Basin Creek dispatch volumes and the costs of short-term purchases associated with Basin Creek dispatch during the 2005/2006 tracking period; (2) The quantity of short-term purchases assumed in the 2005/2006 tracker year; (3) NWE's PPL Sunday purchases; and (4) The inclusion in the Tracker of replacement costs for sales for future delivery made to Avista in January of 2003. The Parties have agreed to proceed with the remaining contested matters at hearing on March 22, 2005.

The Parties agree that this Stipulation and Agreement is fair and reasonable, and they each represent to the Commission that this Stipulation and Agreement is in the public interest.

I. BACKGROUND

NWE filed with the Commission its Application on June 17, 2005, which was followed by a revised application on September 30, 2005. Formal intervention was sought by the MCC and allowed by the Commission. Hearing on contested issues is set for March 22, 2006.

II. STIPULATION AND AGREEMENT

NorthWestern and the MCC specifically stipulate and agree, subject to the ultimate approval of the Commission, that:

1. The MCC has intervened in these proceedings, reviewed prefiled testimony and exhibits and conducted discovery. The discovery process included review of all data request responses and an on-site discovery audit that was held at NWE's General Office in Butte;
2. The Parties agree that the Basin Creek projected dispatch volumes and the estimated costs of projected short-term purchases associated with this dispatch during the 2005/2006 tracking period are uncertain. However, in view of the fact that actual Basin Creek dispatch volumes will be known and reflected in monthly true-ups within a short period of time, no adjustment or disallowance is required in this case. NWE agrees to develop a dispatch model that will be used to estimate future dispatch volumes for the Basin Creek facility. The Parties agree these issues are settled for purposes of this Docket;
3. The MCC does not make a recommendation of imprudence or non-recovery of short-term purchases in this tracker with respect to the short-term/long-term mix of resources in the portfolio for the 2005/2006 tracker period. The Parties agree that it is important for NWE to expeditiously pursue its efforts to secure firm economic default supply resources, within an efficient resource mix;
4. The MCC accepts that the Monday peak price NWE paid for the PPL Sunday purchases was less than the Sunday mid-Columbia spot price plus likely associated wheeling and transmission loss costs and that there should be no cost disallowance in this case for these purchases. The Parties agree this issue is settled for purposes of this Docket;
5. In regard to the sales for future delivery made to Avista in January of 2003, the Parties agree: (a) NWE shall be financially responsible for all replacement costs associated with these sales for the 2005/2006, 2006/2007, and 2007/2008 tracking periods; (b) NWE shall be allowed to recover replacement costs associated with these sales for the 2004-2005 tracker period; (c) NWE has recovered replacement costs associated with these sales for the 2003-2004 tracker period; and (d) these issues are settled for purposes of this Docket.
6. The Parties agree that this Stipulation and Agreement should become effective as soon after approval by the Commission as is reasonably practical;
7. The execution of this Stipulation and Agreement shall not be deemed to constitute an acknowledgement by any Party hereto of the validity of any particular theory or ratemaking principle. Furthermore, no Party hereafter shall be deemed to be bound by any position asserted by any other Party, and no finding of fact or conclusion of law, other than those stated herein, shall be deemed to be implicit in this Stipulation and Agreement;
8. The entry of an Order approving this Stipulation and Agreement shall not be deemed to work any estoppel upon the Parties or the Commission, or to otherwise establish, or create, any limitation on or precedent of the Commission;

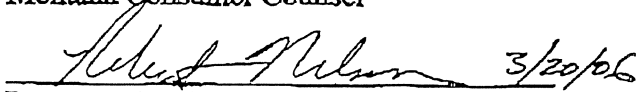
9. This Stipulation and Agreement shall not become effective and shall be of no force and effect until accepted and approved by the Commission as to all of its terms and conditions. If this Stipulation and Agreement is not approved, in its entirety or, if approved with conditions that are not acceptable to either Party, either Party shall, at its option, have the right to withdraw from this Stipulation and Agreement with all rights preserved;
10. The Parties hereto state that reaching agreement, as set forth herein by means of a negotiated settlement rather than a formal adversarial process, is in the public interest and that the compromises and settlements set forth in this Stipulation and Agreement are also in the public interest; and
11. This Stipulation and Agreement may be executed in one or more counterparts and each counterpart shall have the same force and effect as an original document and as if all the Parties had signed the same document. Any signature page of this Stipulation and Agreement may be detached from any counterpart of this Stipulation and Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of the Stipulation and Agreement identical in form hereto but having attached to it one or more signature page(s).

IN WITNESS WHEREOF, the Parties hereto have executed this Stipulation and Agreement as of March 20th, 2006.

North Western Corporation

By: 

Montana Consumer Counsel

By:  3/20/06
Robert Nelson

Montana Consumer Counsel